

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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| In the Matter of |) | |
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| Access Charge Reform |) | CC Docket No. 96-262 |
| |) | |
| Price Cap Performance Review for Local Exchange Carriers |) | CC Docket No. 94-1 |
| |) | |

REPLY COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY

Cincinnati Bell Telephone Company (CBT) submits these reply comments in response to the comments filed on January 24, 2002 regarding the cost submissions filed by the price cap local exchange carriers (LECs) in response to the Commission's directive in its September 17, 2001 Public Notice in the above referenced proceeding.¹

I. Introduction

On November 16, 2001 CBT and the other price cap LECs submitted cost studies in accordance with the requirements of the Coalition for Affordable Local and Long Distance Service (CALLS) Order.² Several parties filed comments on the merits of these cost studies and whether the Commission should allow the residential and single-line business subscriber line charge (SLC) to increase above \$5.00 beginning July 1, 2002. Three of the parties³ conclude

¹ *Initiation of Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps*, Public Notice, DA 01-2163 (rel. September 17, 2001). Subsequent extensions of time were granted in Public Notice, DA 01-2327 (rel. October 5, 2001) and Public Notice, DA 01-2547 (rel. November 1, 2001).

² *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long-Distance Users, Federal-State Joint Board on Universal Service*, Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, and Eleventh Report and Order in CC Docket No. 96-45, FCC 00-193, (rel. May 31, 2000).

³ Ad Hoc Telecommunications Users Committee (Ad Hoc), General Services Administration (GSA), and WorldCom.

that the Commission should allow the SLC cap to increase as scheduled in the CALLS Order, while the National Association of State Utility Consumer Advocates (NASUCA) argues that the SLC should not increase above \$5.00. The Florida Public Service Commission (FPSC) does not reach a conclusion regarding whether the SLC should increase above \$5.00, but rather advocates for further review based upon a state-by-state analysis.

The GSA unequivocally indicates that the LEC cost information supports an increase in the SLC cap above \$5.00. Ad Hoc and WorldCom, while supporting an increase in the cap, raise questions about the LEC cost information, but neither party presents a valid reason to reject the LEC cost information. The NASUCA and FPSC filings do not appear designed to address the particular LEC filings, but rather to discount the basic findings of the CALLS Order. The issues they raise are beyond the scope of this proceeding and should be disregarded.

II. CBT's Cost Data Supports an Increase in the SLC Above \$5.00

The cost data submitted by CBT on November 16, 2001 was based upon the Commission's Universal Service Cost Model (also called the Hybrid Cost Proxy Model and the Synthesis Model). This model is available on the Commission's publicly accessible website, which contains a detailed description of the model and its default inputs. As indicated in CBT's November 16th filing, CBT used all of the model's default inputs except for line counts. CBT used its line counts by wire center from December 2000.⁴ CBT's filing clearly explained how CBT aggregated the model's results and allocated the resulting costs to the interstate jurisdiction.

Ad Hoc's comment that none of the carriers provided the electronic models used to calculate their costs is clearly incorrect since the Commission's Synthesis Model that CBT used

⁴ Although CBT used updated line count data, running the model using the default 1998 line counts, or 1999 line counts, also demonstrates that CBT's interstate loop and port costs are above \$5.00.

is available electronically on the Commission's website. Moreover, Ad Hoc's claim that CBT did not document its inputs is without merit since the inputs are well documented on the Commission's website. To require CBT to restate what is already publicly available would be a waste of time and resources and would add nothing of value. CBT used the very model that Ad Hoc (p. 2), WorldCom (p. 9), and NASUCA (pp.38-39) recommend as an acceptable method for reviewing a LEC's costs for purposes of this proceeding. The results should be accepted as sufficient to warrant an increase in CBT's SLC above \$5.00.

III. NASUCA's Comments Should be Disregarded

The Commission should reject NASUCA's claim that the LEC cost data is invalid and that all residential and single line business SLCs should be capped at \$5.00. NASUCA argues that because it does not have access to the LECs' models the results must be rejected.

Furthermore, NASUCA claims that because the results of the LEC studies are not comparable with unbundled network element (UNE) rates they are overstated and, thus, invalid. Neither of these arguments supports a rejection of the LEC data.

The CALLS Order did not direct carriers to use a particular model for producing the cost information it required them to submit, and it certainly did not suggest that any comparison to UNE rates is required or appropriate. The fact that the LECs have used models that are not to NASUCA's liking is irrelevant. Each of the carriers has provided information about their particular methodology to allow the Commission to assess the reasonableness of the results. Whether NASUCA, using different models and different inputs can reach a different result is not relevant.

The only relevant issue is whether the information provided by the LECs is reasonable. CBT's use of the Commission's Synthesis Model is reasonable for purposes of this cost review.

As CBT indicated in its comments, the Synthesis Model's results are not perfect. And undoubtedly, almost everyone disagrees with some aspects of the model. CBT believes that the Synthesis Model's methodology and assumptions, and the use of a single set of nationwide inputs, understates its costs. NASUCA finds fault with other aspects of the model. No model is ever going to exactly replicate every carrier's costs. More importantly, in this proceeding it is not necessary to examine every minute aspect of every carrier's costs. Carriers need only demonstrate that using a reasonable approach, their costs justify a SLC above \$5.00. CBT has done so using the Commission's Synthesis Model.

NASUCA claims that the LECs have "gone to great lengths to convince the FCC that it would be improper to compare the results of their models to UNE rates or to model runs from any other cost-based proceedings." (p. 24) The LECs did not go to great lengths, they simply stated the facts and provided an overview of the history of the price cap access charge regime that culminated in the CALLS Order so that there is no mistake regarding the purpose of this proceeding. As CBT (p. 1) and SBC (p. 3) said in their filings, it is important to remember that this is not a ratemaking proceeding. Verizon (pp. 2-4) further elaborated by explaining the rate structure developed under the CALLS Order and how the increases in the SLC cap are crucial to achieving the goals of the Order. As Ad Hoc (pp. 18-19), GSA (p. i), and WorldCom (pp. 4-5) confirm in their comments, the SLC caps must be allowed to increase if the distortions (subsidies) in the current rate structure are to be eliminated. While the LECs have simply restated the findings of the CALLS Order, NASUCA goes to great lengths to reargue the entire CALLS decision. The Commission has already determined that the CALLS rate structure benefits consumers and is pro-competitive and economically efficient. (CALLS Order at ¶29)

This proceeding is not the forum for debating the conclusions of the CALLS Order. As such, NASUCA's comments are misplaced and should be disregarded.

IV. Conclusion

No evidence was presented in the comments by any party that warrants rejecting the LECs' cost submissions. Moreover, CBT's use of the Synthesis Model was deemed by most parties to be a reasonable approach for estimating costs for this proceeding. CBT's cost submission provides sufficient justification for the Commission to allow CBT to increase its SLC above \$5.00 beginning July 1, 2002.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of Cincinnati Bell Telephone Company's Reply Comments has been delivered by first class United States Mail, postage prepaid, or by hand delivery on February 14, 2002 to the persons on the list below.

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